

TORWEST RESOURCES (1962) LTD. (N.P.L.)

AR24



12th ANNUAL REPORT . . . 15 Months Ended March 31, 1970
... ~~Year Ended December 31, 1969~~

1969

TORWEST RESOURCES (1962) LTD. (N.P.L.)

TORWEST RESOURCES (1962) LTD. (N.P.L.)

7th Floor, Board of Trade Building
1177 West Hastings Street
Vancouver 1, B.C.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the shareholders of Torwest Resources (1962) Ltd. (N.P.L.), for the year 1970 will be held in the Social Suite West of the Hotel Vancouver, in the City of Vancouver, Province of British Columbia, on Wednesday, the 30th day of September, 1970, at 2:00 o'clock in the afternoon (Vancouver Time) for the following purposes:

1. To receive and approve the Report of the Directors, the Financial Statements of the Company for the 15-month period ending March 31st, 1970, and the Report of the Auditors thereon;
2. To fix the number of Directors for the time being at eight (8) and to empower the Board of Directors to appoint in their discretion up to two (2) additional Directors to hold office until the next Annual General Meeting of the Company, unless sooner vacated, and if, as and when any such appointment or appointments are made, to fix the number of Directors of the Company accordingly;
3. To elect Directors for the ensuing year;
4. To appoint Auditors for the ensuing year and to authorize the Directors to fix their remuneration;
5. To authorize the Company, pursuant to Section 150 of the "Companies Act" to take or otherwise acquire and hold the shares, stocks or debentures of any Company, wheresoever incorporated, having object altogether or in part, similar to those of the Company, or carrying on any business capable of being conducted so as, directly or indirectly, to benefit the Company and to sell or re-issue with or without guarantee, or otherwise deal with the same, and to empower the Directors to exercise such authority on the Company's behalf;
6. To transact such other business as may properly be brought before the Meeting and any and all adjournments thereof.

Accompanying this Notice are copies of the Annual Report of the Directors to the shareholders, the Financial

Notice of Annual General Meeting - Cont'd

Statements together with the report of the Auditors thereon,
an Information Circular and a form of Proxy.

DATED at Vancouver, British Columbia, this 15th
day of September, 1970.

BY ORDER OF THE BOARD

J. A. Kyles
Secretary

Shareholders are entitled to vote at the Meeting
either in person or by proxy. If you are unable to be present
at the Meeting you are requested to read, complete, date, sign
and return the enclosed proxy.

TORWEST RESOURCES (1962) LTD. (N.P.L.)

7th Floor, Board of Trade Building
1177 West Hastings Street,
Vancouver 1, B. C.

INFORMATION CIRCULAR

Solicitation of Proxies

This Information Circular is furnished in connection with the solicitation of Proxies by the Management of Torwest Resources (1962) Ltd. (N.P.L.) (the "Company") for use at the Annual General Meeting of the shareholders of the Company to be held on Wednesday, the 30th day of September, 1970, at the time and place and for the purposes set forth in the Notice of Meeting. The cost of this solicitation will be borne directly by the Company.

Appointment and Revocability of Proxy

The persons named in the accompanying form of Proxy are Directors of the Company. A shareholder desiring to appoint some other person to represent him at the Meeting may do so by striking out the printed names and inserting the desired person's name in the blank space provided in the form of Proxy.

A Proxy may be revoked by instrument in writing executed by the shareholder or his attorney authorized in writing or, if the shareholder is a corporation, under its common seal or by an Officer or Attorney thereof duly authorized, and deposited at either the Head office of the Company, 7th Floor, Board of Trade Building, 1177 West Hastings Street, Vancouver, British Columbia at any time up to and including the last business date preceding the day of the Meeting, or any adjournment thereof, at which the Proxy is to be used, or, with the Chairman of such Meeting on the date of the Meeting, or any adjournment thereof, and upon either of such deposits the Proxy is revoked.

Provisions Relating to Voting

The shares represented by Proxy in the form enclosed will be voted by the designated holder thereof in accordance with the direction of the shareholder appointing him. In the absence of such direction it is intended that such shares will be voted in the affirmative for all proposals set out in the accompanying form of Proxy and for the election of Directors and the appointment of Auditors as set out under those respective headings in this circular.

The enclosed form of Proxy confers discretionary authority on the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting, and with respect to the other matters which may properly come before the Meeting. At the time of printing this Circular, the Management of the Company knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice of Meeting.

The Company is authorized to issue 10,000,000 common shares without nominal or par value, of which there are issued and outstanding as fully paid and non-assessable 7,070,000 common shares. All shares of the capital stock of the Company are of the same class and carry one vote each. Registered Shareholders are entitled to attend and vote at the Meeting.

Shareholders desiring to be represented by Proxy at the Meeting must deposit their Proxy forms with the Registrar and Transfer Agent for the Company, National Trust Company Limited, 510 Burrard Street, Vancouver, B.C., before 4:00 o'clock in the afternoon (Vancouver Time) on Tuesday, the 29th day of September, 1970.

To the knowledge of the Directors and Senior Officers of the Company, Teck Corporation Limited of P.O. Box 49, Toronto Dominion Center, Toronto, Ontario, is the only person or Company holding more than 10% of the outstanding voting shares. Teck Corporation Limited is the recorded holder of 1,403,500 shares of the Company, representing approximately 18.7% of the issued shares of the Company.

Election of Directors

The Directors of the Company are elected annually and hold office until the next Annual General Meeting of the shareholders or until their successors in office are duly elected. The Management of the Company proposes to nominate the persons listed below for election as Directors of the Company to serve until their successors are elected or appointed. In the absence of instructions to the contrary, Proxies given pursuant to the solicitation by the Management of the Company will be voted for the nominees listed in this Circular. The Management does not contemplate that any of the nominees will be unable to serve as a Director. In the event that prior to the Meeting any vacancies occur in the slate of nominees herein listed, it is intended that discretionary authority shall be exercised by Management to vote the Proxy for the election of any other person or persons as Director(s).

The following table sets out the names of the persons proposed to be nominees for election as Directors, the positions and offices which they hold with the Company, their respective principal occupations or employments, the period during which they have served as a Director of the Company, and the number of shares of the Company and its subsidiaries which each beneficially owns directly or indirectly:-

<u>Name and Office Now Held</u>	<u>Principal Occupation or Employment</u>	<u>Date of Becoming a Director</u>	<u>Number of Shares Bene- ficially Owned</u>
John L. Gibson President	Director, Giant Mascot Mines Ltd.	March 28/66	399,375
Robert W. Falkins Executive Vice-President	Executive Vice- President, Torwest Resources (1962) Ltd. (N.P.L.)	August 7/57	32,001
Stanley J.O. McClay Director	President, Tymac Construction Ltd.	May 26/61	10,000
Sinclair Mowat Director	President, S.A. Mowat Limited	June 27/69	14,000
J. A. Kyles Secretary-Treasurer	President, G.A. Roedde Ltd.	Sept. 30/69	6,000
Hector H. Waller	Mine Manager, Highmont Mining Corp. Ltd. (N.P.L.)	Proposed Nominee	45,000
Robert E. Hallbauer	Vice-President, Teck Corporation Limited	Proposed Nominee	1,000
Dr. Norman B. Keevil Jr.	Executive Vice- President, Teck Corporation Limited	Proposed Nominee	5,000

The information as to shares beneficially owned, not being within the knowledge of the Company, has been furnished by the respective Directors individually.

Remuneration of Management and Others

The aggregate direct remuneration paid or payable by the Company and its subsidiaries to the Directors and Senior Officers of the Company during the period January 1st, 1969 to March 31st, 1970 amounted to \$14,509.

No pension or retirement benefit plans have been instituted by the Company or any company associated with it in management and none is proposed at this time.

No remuneration has been paid to any Senior Officer or Director pursuant to any plan and none is intended to be paid in the future.

None of the Directors or Senior Officers of the Company have been indebted to the Company since the beginning of the last completed fiscal year of the Company.

By an Agreement dated September 10th, 1969, the Company granted Robert W. Falkins an incentive option to purchase 50,000 shares of the Company at a price of 50¢ per share. The option to be exercised in 1970 was not exercised and the Agreement was therefore terminated.

Interest of Management and Others in Material Transactions

By an Agreement made October 1st, 1969, with Teck Corporation Limited ("Teck") of Toronto, Ontario, the Company sold Teck 75,000 of its shares of Highmont Mining Corp. Limited (N.P.L.) ("Highmont") at a price of \$2.50 per share, for a total purchase price of \$187,500.00. The transaction was made to assist Highmont in obtaining from Teck the financing it required to continue with its feasibility study. The proceeds of the sale were applied towards the repayment of the Company's indebtedness to its bank. Under the Agreement the Company also granted Teck, for a period of seven years following the date of the Agreement, a right of first refusal to purchase any shares of Highmont which the Company might wish to sell. The Company does not contemplate any further sales of its Highmont shares at this time.

Appointment of Auditors

McDonald, Currie & Co., Chartered Accountants, of Vancouver, B.C. have been the Auditors of the Company since March 30th, 1965 and have offered themselves for re-appointment, and the Management of the Company intends to nominate that firm for re-appointment as Auditors of the Company for the ensuing year. The forms of Proxy given pursuant to the solicitation of the Management of the Company will be voted for their re-appointment at a remuneration to be fixed by the Directors.

Particulars of Other Matters to be Acted Upon

The Companies Act requires a public company to obtain from its shareholders, a general authority by ordinary resolution to acquire shares in another corporation. This authority expires at each Annual General Meeting and must, therefore, be renewed if desired to be retained. The Management of the Company is of the opinion that it is necessary for the Company to have this authority to effectively carry on its business.

It is not known that any other matters will come before the Meeting other than as set forth above and in the Notice of Meeting, but if such should occur the persons named in the accompanying Proxy intend to vote on them in accordance with their best judgment, exercising discretionary authority with respect to amendments or variations of matters which may properly come before the Meeting or any adjournment thereof.

Dated September 15th, 1970.

TORWEST RESOURCES (1962) LTD. (N.P.L.)

DATE
JULY 22 1970
AND
7/12 1970
RECEIVED
1970
Company

Officers

J. L. GIBSON—President
R. W. FALKINS—Executive Vice-President
J. A. KYLES—Secretary-Treasurer

Directors

R. W. FALKINS
J. L. GIBSON
W. C. GIBSON
J. A. KYLES
S. J. O. McCLAY
S. A. MOWAT

Statutory Information

CAPITALIZATION
Authorized 10,000,000 shares

ISSUED AND FULLY PAID
7,070,000 shares

TRANSFER AGENT
National Trust Company, Limited
510 Burrard Street
Vancouver 1, B.C.

BARRISTERS AND SOLICITORS
Andrews, Swinton, Margach, Austin & Williams
900 West Hastings Street
Vancouver 1, B.C.

REGISTERED OFFICE
Andrews, Swinton, Margach, Austin & Williams
900 West Hastings Street
Vancouver 1, B.C.

ADMINISTRATIVE OFFICE
812 - 1177 West Hastings Street
Vancouver 1, B.C.

AUDITORS
McDonald, Currie & Co.
900 West Hastings Street
Vancouver 1, B.C.

TORWEST RESOURCES (1962) LTD. (N.P.L.)

Report of the Directors

On behalf of the officers and directors of Torwest Resources (1962) Ltd. (N.P.L.), it is my privilege to present to you the 12th Annual Report for the fifteen month period ending March 31, 1970.

In addition to the company auditors' report on the affairs of the company, I have included reports on Red Mountain Mines Ltd. Torwest Resources (1962) Ltd. owns 3,000,000 Class "A" shares of Red Mountain Mines Ltd., which represents a 60% interest of the issued capital.

Since the last report, the main objective of management and your directors was the continued large scale development of Highmont Mining Corp. Ltd., in which Torwest is currently the largest shareholder and the holding is one of the major assets of the company.

To date, over 4 million dollars has been expended on development of Highmont, which is a large tonnage, low-grade copper-molybdenum property situated in the now famous Highland Valley copper producing area. The Highmont property adjoins Lornex and the nearby Valley Copper, controlled by Cominco., and Bethlehem Copper.

The major effort this past fifteen months was concentrated on the two main ore bodies to delineate the ore zones and outline the optimum pit design. This program has now been completed, along with many additional programs, such as underground bulk sampling, metallurgical and grinding tests, water and power requirements, etc., all leading to the final feasibility study. This study should be completed by early Fall of this year and by all indications to date the results will be favourable. An early start on construction is contemplated with a production start-up of 25,000 tons per day by mid 1972.

Effective October 1, 1969, arrangements were concluded with Teck Corporation Ltd., Toronto, whereby Teck has made available 2.3 million dollars for further development of the Highmont property in order to provide a final feasibility report. Subsequently, Teck and Highmont agreed on terms for Teck to be responsible for operational management and the arranging of all necessary financing through to production. Teck will, then, acquire a 45% interest in the property with Highmont retaining 55%.

During the past year and into 1970, the company's field staff examined many properties and carried out geophysical and geological surveys over the Babine Lake Newman Peninsula property adjoining Noranda's mine, on which production plans have now been announced.

The company's Highland Valley properties have all been kept in good standing and, in addition, a 25% interest in a large block of 262 claims has been acquired.

The two claim blocks in the Lac La Ronge area adjoining the National Nickel property are considered to have excellent geological targets. A program of geophysical surveys is planned to start on this property in the winter of 1970.

Torwest, with its property holdings, a substantial interest in Highmont and active exploration policies for further properties of merit, promises to be a growing and progressive mining company. Your directors are confident that the next few years will be most rewarding ones for the shareholders of Torwest.

I wish to express my appreciation for the diligence and cooperation of my fellow officers and directors, the geological and field staff and our office staff.

Respectfully submitted,

J. L. Gibson
President

HIGHMONT MINING CORP. LTD. (N.P.L.)
HIGHLAND VALLEY, B.C.

In the foreground is an artist's conception of the Highmont open-pit operation when in production.



Contiguous Properties — Lornex (upper left); Valley Copper (upper centre); Bethlehem (upper right)

TORWEST RESOURCES

BALANCE SHEET AS

ASSETS

	March 31, 1970	Dec. 31, 1968
	\$	\$
Current Assets		
Cash and short-term deposits	69,913	500
Accounts receivable		
Highmont Mining Corp. Ltd. (N.P.L.)	9,905	12,069
Other	15,487	20,505
	<u>95,305</u>	<u>33,074</u>
 Advance Receivable (note 2)	 11,292	
 Investments (notes 1 and 3)	 631,108	631,108
 Mineral Properties (notes 1 and 4)	 32,292	148,365
 Fixed Assets (note 5)	 8,992	28,484
 Deferred Exploration, Development and Administration Costs (note 1)	 1,008,740	1,228,030
	 <u>1,787,729</u>	 <u>2,069,061</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Torwest Resources (1962) Ltd. (N.P.L.) as at March 31, 1970 and the statements of deficit, deferred exploration, development and administration costs and source and use of working capital for the period from January 1, 1969 to March 31, 1970. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at March 31, 1970 and the results of its operations and the source and use of its working capital for the period then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.
July 23, 1970

McDONALD, CURRIE & CO.
Chartered Accountants

(1962) LTD. (N.P.L.)
 AT MARCH 31, 1970

LIABILITIES

	March 31, 1970	Dec. 31, 1968
	\$	\$
Current Liabilities		
Bank overdraft		16,283
Accounts payable and accrued liabilities	5,265	11,410
	<u>5,265</u>	<u>27,693</u>

SHAREHOLDERS' EQUITY

Capital Stock (note 6)

Authorized

10,000,000 common shares of no par value with
 a maximum price of \$2 per share

Issued and fully paid

5,389,647 shares for cash	2,598,314	2,498,314
400,000 shares for mineral properties	20,000	20,000
1,280,353 shares for mineral properties since sold or abandoned	241,660	241,660
<u>7,070,000</u>	<u>2,859,974</u>	<u>2,759,974</u>

Deficit

1,077,510	718,606
<u>1,782,464</u>	<u>2,041,368</u>
<u>1,787,729</u>	<u>2,069,061</u>

Signed on behalf of the Board

J. L. GIBSON, Director

J. A. KYLES, Director

TORWEST RESOURCES (1962) LTD. (N.P.L.)

STATEMENT OF DEFICIT

FOR THE FIFTEEN MONTHS ENDED MARCH 31, 1970

	Fifteen months ended March 31, 1970	Year ended Dec. 31, 1968
	\$	\$
BALANCE - BEGINNING OF PERIOD	718,606	557,038
Add: Cost of mineral properties abandoned during the period (note 4)	118,064	23,804
Deferred costs applicable to mineral properties abandoned during the period (note 4)	300,840	137,764
	1,137,510	718,606
Deduct: Profit on sale of investments (note 3)	60,000	
BALANCE - END OF PERIOD	1,077,510	718,606

SCHEDULE OF ADMINISTRATION COSTS

FOR THE FIFTEEN MONTHS ENDED MARCH 31, 1970

	Fifteen months ended March 31, 1970	Year ended Dec. 31, 1968
	\$	\$
Accounting and audit	3,413	2,500
Depreciation - office furniture and fixtures	3,966	4,818
Directors' remuneration (note 7)	14,509	19,125
Interest and bank charges	4,965	1,880
Legal	7,396	2,104
Licences and dues	3,939	2,445
Promotion and public relations	3,303	4,532
Rent	7,260	6,780
Reports to shareholders	3,876	3,402
Salaries and employee benefits	14,156	26,635
Stationery and office	4,677	4,005
Telephone and telegraph	2,300	3,795
Transfer agent's fees and expenses	4,173	3,499
Travel	4,382	4,206
	82,315	89,726
Deduct: Management fees charged to Highmont Mining Corp. Ltd. (N.P.L.)	74,218	76,642
Interest income	2,956	
	77,174	76,642
TOTAL	5,141	13,084

TORWEST RESOURCES (1962) LTD. (N.P.L.)

STATEMENT OF DEFERRED EXPLORATION, DEVELOPMENT AND ADMINISTRATION COSTS

FOR THE FIFTEEN MONTHS ENDED MARCH 31, 1970

	Fifteen months ended March 31, 1970	Year ended Dec. 31, 1968
	\$	\$
BALANCE - BEGINNING OF PERIOD	1,228,030	1,220,573
EXPENDITURES DURING THE PERIOD		
Exploration and development		
Assaying and sampling	2,651	1,180
Cookhouse		4,236
Depreciation - equipment and camp	17,271	21,705
Drilling	994	1,760
Field travel and air charter	398	37,709
Geological and geophysical	2,162	4,289
Insurance	672	738
Road building and maintenance		1,000
Staking and surveying	10,055	10,261
Stripping and trenching	950	826
Superintendence, engineering and consulting	15,957	14,290
Telephone and telegraph	806	729
Vehicle and equipment operation	7,582	7,101
Wages and employee benefits	17,103	30,513
	76,601	136,337
Deduct: Equipment rental revenue	192	4,200
	76,409	132,137
Administration - per schedule	5,141	13,084
Total expenditures during the period	81,550	145,221
	1,309,580	1,365,794
LESS: DEFERRED COSTS APPLICABLE TO MINERAL PROPERTIES ABANDONED		
Prior years' costs	300,374	134,264
Current period's costs	466	3,500
	300,840	137,764
BALANCE - END OF PERIOD	1,008,740	1,228,030

ALLOCATION OF COSTS TO MINERAL PROPERTIES AS FOLLOWS:

Claim Group	Mining Division	Allocation	
Taylor	Kamloops	583,581	550,477
Swetz (note 4 (c))	Omineca		174,624
Kendrick	Skeena	25,632	25,632
Coppermine (note 4 (d))	N.W.T.		125,750
Marb	Nicola	385,973	338,439
Ben	Omineca	13,554	13,108
		1,008,740	1,228,030

TORWEST RESOURCES (1962) LTD. (N.P.L.)

STATEMENT OF SOURCE AND USE OF WORKING CAPITAL

FOR THE FIFTEEN MONTHS ENDED MARCH 31, 1970

	Fifteen months ended March 31, 1970	Year ended Dec. 31, 1968
	\$	\$
SOURCE		
Capital stock issued	100,000	210,000
Fixed asset disposals	207	5,599
Investment proceeds (note 3)	187,500	75,000
Proceeds from sale of mineral properties (note 4)	6,000	
	<u>293,707</u>	<u>290,599</u>
 USE		
Exploration, development and administration costs	81,550	145,221
Less: Depreciation, an item included in costs which is not a use of working capital	21,237	26,523
	<u>60,313</u>	<u>118,698</u>
 Investment (note 3)	127,500	75,000
Fixed assets	1,952	13,971
Mineral properties	7,991	97,090
Advances (note 2)	11,292	
	<u>209,048</u>	<u>304,759</u>
 INCREASE (DECREASE) IN WORKING CAPITAL	84,659	(14,160)
WORKING CAPITAL - BEGINNING OF PERIOD	5,381	19,541
WORKING CAPITAL - END OF PERIOD	<u>90,040</u>	<u>5,381</u>
 REPRESENTED BY:		
Current assets	95,305	33,074
Current liabilities	5,265	27,693
WORKING CAPITAL - END OF PERIOD	<u>90,040</u>	<u>5,381</u>

TORWEST RESOURCES (1962) LTD. (N.P.L.)

NOTES TO FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED MARCH 31, 1970

1. VALUES

The amounts shown for investments, mineral properties and deferred exploration, development and administration costs represent costs to date and do not necessarily reflect present or future values.

2. ADVANCE RECEIVABLE

In prior years the company advanced Vimy Explorations Ltd. (N.P.L.) \$11,292 which consisted of various exploration and administration costs paid on its behalf. To date Torwest has not been reimbursed for these expenditures and the matter is presently in the hands of the company's solicitor and recovery is expected.

3. INVESTMENTS

(a) Investments at March 31, 1970 are as follows:

	Cost \$
Highmont Mining Corp. Ltd. (N.P.L.) (Highmont) 1,000,000 shares, at cost, being the cost of mineral claims (\$65,583) and exploration and development thereof (\$269,078) transferred to Highmont. The quoted market value at March 31, 1970 was \$3.00 per share _____	334,661
Silver Butte Mines Ltd. (N.P.L.) 150,000 shares, at cost, with a quoted market value of 12c at March 31, 1970 _____	12,112
Red Mountain Mines Limited (N.P.L.) (Red Mountain) 3,000,000 class A shares, at cost being the cost of mineral claims (\$16,712) and exploration and development thereof (\$264,123) transferred to Red Mountain. The shares have no quoted market value _____	280,835
British Columbia Petroleum and Natural Gas Lease Cost of 3/10 of 1% of a gross overriding royalty on lease Nos. 3606 - 3615 inclusive. The royalty has no quoted market value _____	3,500
	<u>631,108</u>

(b) Under an agreement dated April 29, 1969, the company purchased 75,000 shares of Highmont at a price of \$1.70 per share from Nippon Mining Co. Ltd. An option to purchase an additional 50,000 shares of Highmont was not exercised. Pursuant to an agreement dated October 1, 1969 Teck Corporation Limited purchased from the company 75,000 shares of Highmont at a price of \$2.50 per share and was given the right of first refusal to purchase all of the shares of Highmont now held or subsequently acquired by the company. This right was granted for a period not to exceed seven years and is subject to the continuation of an exploration and development agreement between Highmont and Teck.

(c) The company holds 60% of the issued capital of Red Mountain but, at the present time, has the right to elect only two of a total of five directors. For this reason, Red Mountain is not a subsidiary company under the Companies Act of the Province of British Columbia. Dividends

TORWEST RESOURCES (1962) LTD. (N.P.L.)

NOTES TO FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED MARCH 31, 1970

to the company from Red Mountain are to be equal to a specified percentage of distributable profits, presently 12½% and increasing to 60%. Red Mountain incurred an operating loss for the year ended December 31, 1969 of \$548,701; however, since there was a distributable profit, as defined, a dividend of \$8,165 was declared.

The company has granted Consolidated Canadian Faraday Limited the right of first refusal on 750,000 class A shares of Red Mountain.

4. MINERAL PROPERTIES

(a) Mineral claims and leases owned or under option are all situated in either British Columbia or Saskatchewan and are as follows:

Claim group	Number of claims	Mining division	Cash	Value ascribed to 400,000 shares	Total
			\$	\$	\$
Taylor (see (b) below)	9	Kamloops			
Kendrick	2	Skeena	4,039		4,039
Marb	60	Nicola	18	20,000	20,018
Ben	36	Omineca	216		216
Crown	29	Nicola	29		29
Tulameen	18	Similkameen	18		18
Saskatchewan	12	La Ronge	12		12
Saskatchewan	2	Athabasca	7,960		7,960
			<u>12,292</u>	<u>20,000</u>	<u>32,292</u>

(b) The Taylor claims are being acquired under option, the terms of which call for the payment of \$10,000 by way of 5% of net smelter returns.

(c) The option agreement dated October 2, 1967 between the company and Endako Mines Ltd. (N.P.L.) pertaining to the 12 CM mineral claims in the Omineca Mining Division was terminated during the period. The mineral claims are deemed to have no commercial value and therefore their net cost of \$21,007 and expenditures applicable thereon of \$174,624 have been written off to deficit. \$6,000 was received from Endako for the surface rights to the claims which was applied against the cost.

(d) During the fifteen months ended March 31, 1970 the directors authorized the abandonment of the company's interest in the mineral properties in the Coppermine Area of the Northwest Territories. As a result, \$223,273 was written off to deficit representing the cost to acquire the mineral claims of \$97,057 and subsequent expenditures on the properties of \$126,216.

TORWEST RESOURCES (1962) LTD. (N.P.L.)

NOTES TO FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED MARCH 31, 1970

5. FIXED ASSETS

Fixed assets and accumulated depreciation are as follows:

	March 31, 1970			Dec. 31, 1968
	Cost	Accumulated depreciation	Net	Net
	\$	\$	\$	\$
Camp buildings	14,257	14,257		490
Leasehold improvements	4,806	4,806		
Office furniture and equipment	21,154	12,559	8,595	12,122
Machinery and mining and camp equipment	51,057	50,660	397	9,051
Automotive equipment	24,194	24,194		6,821
	<u>115,468</u>	<u>106,476</u>	<u>8,992</u>	<u>28,484</u>

Depreciation is recorded on a straight-line basis at a rate of 25% for camp buildings and automotive and mining equipment, 33-1/3% for leasehold improvements and 15% for office furniture and equipment.

6. CAPITAL STOCK

- (a) During the period, the authorized capital stock of the company was increased from 7,500,000 shares to 10,000,000 shares.
- (b) Pursuant to an agreement dated February 10, 1969 Thermochem Industries Ltd. agreed to advance to Torwest the sum of \$100,000 which was convertible into 200,000 shares of Torwest at 50c per share. Thermochem also received options to advance further amounts of \$100,000 and \$120,000 which were convertible into 200,000 shares of Torwest at 50c per share and 200,000 shares at 60c per share respectively. During the period the first advance of \$100,000 was received by Torwest and converted into 200,000 shares. The option on the remaining 400,000 shares was subsequently assigned to two directors of the company but not exercised.
- (c) The company granted a director an option to purchase 50,000 shares of the company at a price of 50c per share exercisable in five equal annual instalments commencing in 1970.

7. DIRECTORS' REMUNERATION

During the fifteen months ended March 31, 1970 the company paid remuneration to four directors totalling \$14,509, for their services as officers of the company. No directors' fees were paid during the period.

RED MOUNTAIN MINES LIMITED

(Non - Personal Liability)

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED DECEMBER 31, 1969

(with comparative figures for 1968)

	<u>1969</u>	<u>1968</u>
Source of funds		
Operations		
Loss for the year	\$548,701	\$420,409
Deduct items not involving a current outlay of funds		
Depreciation	686,256	311,617
Amortization of preproduction expenditures	112,291	50,414
Amortization of deferred development	13,104	5,100
Provision for interest on income debentures	111,284	111,590
	<u>922,935</u>	<u>478,721</u>
	374,234	58,312
Lease purchase agreements		121,651
Special refundable tax	13,384	
Reclassification of accrued interest on income debentures	39,675	
	<u>427,293</u>	<u>179,963</u>
Application of funds		
Additions to buildings and equipment	15,228	237,322
Mining properties	1,400	5,564
Deferred development expenditures		1,524
Decrease in non-current portion of long-term debt	45,408	85,628
Special refundable tax		364
Dividend on Class "A" shares	8,165	
Reduction of deferred interest on income debentures	52,258	
	<u>122,459</u>	<u>330,402</u>
Increase (decrease) in working capital position	304,834	(150,439)
Working capital (deficiency) at beginning of year	(33,407)	117,032
Working capital (deficiency) at end of year	<u>\$271,427</u>	<u>\$ (33,407)</u>

RED MOUNTAIN MINES LIMITED
(Non - Personal Liability)

STATEMENT OF DISTRIBUTABLE PROFITS

YEAR ENDED DECEMBER 31, 1969

(with comparative figures for 1968)

	<u>1969</u>	<u>1968</u>
Sale of concentrates	\$1,347,818	\$ 948,259
Operating expenses		
Development	83,455	61,024
Mining	188,335	181,879
Milling	459,007	426,364
Marketing	4,051	623
General and mine office	207,562	191,050
Administration	26,275	29,007
	<u>968,685</u>	<u>889,947</u>
	379,133	58,312
Depreciation (note 2)	313,811	58,312
Distributable profits for year	<u>\$ 65,322</u>	<u>Nil</u>
Allocated as follows (note 2)		
Consolidated Canadian Faraday Limited	\$ 26,129	
Canadian Nickel Company Limited	26,129	
Torwest Resources (1962) Ltd.	8,165	
Trustee for Ray Hunstone Construction Ltd.	4,899	
	<u>\$ 65,322</u>	<u>Nil</u>

RED MOUNTAIN MINES LIMITED

(Non - Personal Liability)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1969

1. 6% INCOME DEBENTURES

Under the terms of an agreement dated December 15, 1964, as amended, between Consolidated Canadian Faraday Limited (formerly Metal Mines Limited) and Torwest Resources (1962) Ltd., Consolidated Canadian Faraday Limited undertook to advance the company sufficient funds to commercially develop the properties and to provide adequate working capital. Such advances were satisfied by the issue in 1968 of 6% income debentures maturing December 31, 1989. The debentures are secured by a fixed charge on all fixed assets of the company and by a floating charge on all other assets.

By agreement dated February 5, 1965, Consolidated Canadian Faraday Limited assigned one-half of its interest in and obligations under the agreement with Torwest to Canadian Nickel Company Limited.

Deferred interest on the income debentures is payable only out of future distributable profits (note 2).

2. ALLOCATION OF DISTRIBUTABLE PROFITS

Distributable profits are to be allocated as follows:

- (a) Until all the interest and principal amounts on the income debentures have been paid:

80% in payment of interest and then principal on the debentures

12½% as a preferential dividend on the Class "A" shares

7½% as a royalty to a maximum amount of \$750,000

- (b) After retirement of the income debentures and if the maximum amount of the royalty has not been paid:

12% as a royalty until the said maximum amount has been paid

48% as an annual dividend on the Class "A" shares

40% as an annual dividend on the Class "B" shares

- (c) After retirement of the income debentures and payment of the maximum royalty:

Class "A" and "B" shares to rank *pari passu* for dividends and distribution of capital.

Depreciation at the rate of 15% of cost per annum is required to be deducted in calculating distributable profits.

The provision for any period may be reduced by unanimous approval of the Board of Directors and for 1968, the provision was so reduced from \$311,617 to \$58,312. Depreciation was calculated at the full rate of 15% per annum for 1969.

3. DEPRECIATION, AMORTIZATION AND DEPLETION POLICY

- (a) Depreciation and amortization

To December 31, 1968 depreciation and amortization was provided on the cost of fixed assets and deferred development and preproduction expenditures based on an estimated 6 2/3 year life of the mine. Commencing in 1969 depreciation and amortization is being provided on a basis that will write off the net book value of the mine and mill assets and deferred development and preproduction expenditures over the remaining life of the ore body.

- (b) Depletion

It is not common practice in Canada for mining companies to make provision for depletion of mining properties and the company's present policy is to not make any provision in its accounts.

4. INCOME TAXES

The company has substantial depreciation, amortization and exploration expenditures available to offset taxable income of future years.

RED MOUNTAIN MINES LIMITED

(Non - Personal Liability)

Tonnage milled was 201,542 and represents a very slight increase in tonnage over 1968. Installation of new liners in the ball mill reduced the grinding capacity substantially from May until December, when an increase in R.P.M. was affected to offset this reduction.

Ore feed was drawn mainly from the Lower "B" Pit with the exception of 12,000 tons which were obtained from the Upper "B" Pit.

Production for the year was 1,232,582 lbs. of MoS₂ from the milling of 201,542 tons grading 88.7% MoS₂ at a recovery rate of 87.25%.

Operating profit was \$399,687, leaving a net cash flow credit at the property of \$331,044 after deducting capital and equipment leasing charges. Capital charges for the year constitute a small item of expenses at \$14,626.

The development pace was accelerated but proved barely sufficient to maintain adequate mining areas for mill feed. To finalize the grade and ore outline of the Upper "A" and "B" ore zones, a diamond and percussion drilling program was started early in the year. Later in December, another program was scheduled to find other potential pit areas. The results of this drilling indicated the "C" ore zone to have the most potential for an economic deposit.

A new labour contract was negotiated and signed with the International Union of Operating Engineers and Tunnel and Rock Workers Local 168. This agreement was for a duration of two years, terminating June 30th, 1971. In retrospect, wage increases in British Columbia as reflected by our own Agreement, show an increase in the basic labour rate of 44% in 5 years, or, 15.8% of the total operating cost which represents a cost increase of 3.1% per annum.

The resurgence of the coal industry in B.C. attracted some highly unfavourable publicity to strip mining which eventually found all open pit operations being grouped in an unfavourable light. The government reacted to this hostile publicity by imposing very strict pollution and land reclamation controls on the mining industry.

Red Mountain Mines were awarded their operating permit subject to a deposit of \$5,000 with the B.C. Government for Land Reclamation. Although negotiations were commenced in 1967 no permit to discharge effluent and deposit tailings has been granted after three applications. An attempt was made by the local West Kootenay Health Unit, with support from one B.C. Cabinet member, to force the company to obtain a permit for operating a rock crusher.

On advice from our solicitors, their demands were refused and to the moment there is an apparent abandonment of this campaign.

Ore reserves on December 31st, 1969 (as calculated by Mine Office Engineering Department) are 156,565 tons of probable ore grading .31% MoS₂. With the addition of possible ore in the "C" and "D" zones, the tonnage would augment to 316,560 tons grading .36% MoS₂.

MILLING

Tons milled	202,062
Stockpile	70

Crusher

Operating hours	2,628
Crusher availability	72.7 %
Crusher capacity tons/hr.	78.6

Mill

Mill heads	% MoS ₂	0.350
Mill tails	% MoS ₂	0.045
Mill recovery		87.25 %
Operating hours		8,760
Mill availability		96.9 %
Capacity tons/hr.		24.1
Ball consumption lb./ton primary		1.52
Ball consumption lb./ton regrind16
K. W. hrs. per ton milled		29.7
Grind (% minus 200 mesh)		69.0

ROADS - PIT

Rock tons	11,882
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TAILINGS DAMS

Good Friday

Rock tons	5,250
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Jumbo Creek

Rock tons	47,598
Sand tons	—
Earth tons	6,120

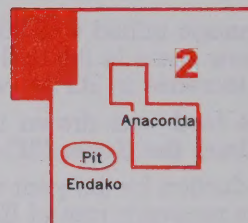
LABOUR FORCE (current)

Hourly paid personnel	32
Staff	10

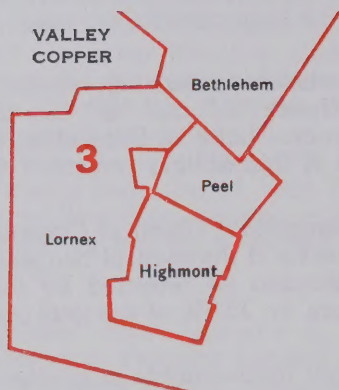
TORWEST PROPERTIES - Solid Red



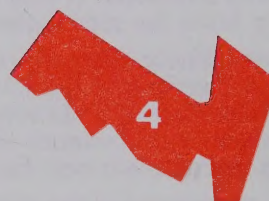
Lakeview Mine



Endako Group



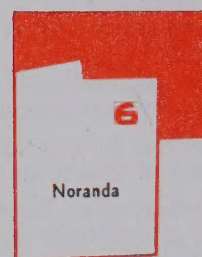
HIGHLAND VALLEY GROUP



Aberdeen Group



Marb Group



Babine Group



Rossland Group

